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VOL. 2 No. 9/SEPTEMBER 1979

COMMAND POLICY

THE OFFICIAL MAGAZINE OF THE DEPARTMENT OF DEFENSE

NATO NECESSITY: ARMS COOPERATION

ETHICS AMENDMENT DEFINED

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NATO NECESSITY: ARMS COOPERATION

By
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Under Secretary of Defense Research and Engineering

This year marks the 30th anniversary of the founding of NATO. During the past three decades, alliance military forces have been successful in their primary objective: deterring war. But the alliance has been less than successful in cooperative efforts to develop and field military equipment. In the future, arms cooperation in NATO will no longer be a desirable goal—it will be a military necessity.

One measure of the challenge which we face is relative defense investment. The CIA has compared the dollar costs of Soviet and U.S. defense activities from 1967-1977. Their comparisons reflect a decline in real U.S. defense spending during this period, while Soviet defense costs have grown at 4-5 percent per year. In 1977, estimated Soviet defense expenditures exceeded corresponding U.S. expenditures by 25 to 40 percent. In investment, Soviet expenditures were estimated to be about 75 percent greater.

These additional expenditures are being applied by the Soviet Union to sustain significant production advantage. For example, the Soviets are producing new tanks, guns, aircraft, and missiles at a rate from two to five times that of the United States. This advantage is worrisome in two respects: (1) it indicates that the present numerical imbalance is going to be even worse in the future, and (2) it raises concerns about maintaining our present qualitative advantage in the face of Soviet production programs often characterized by the fielding of two successive generations of a system while we are fielding one generation.

However, we are not without strengths of our own in meeting this challenge. We have the greatest technological capability and the strongest industrial base in the world. And we have allies who, in aggregate, have technological and industrial capability equivalent to our own.

Investment Strategy

Our Research, Development and Acquisition (RD&A) program was designed to meet the challenges I have described by exploiting our principal strengths. This investment strategy has three components:

- Selective concentration on those technologies which have the greatest potential of multiplying the effectiveness of our forces,
- More effective exploitation of our industrial base, and
- Increased cooperation with our allies in the development and procurement of weapons.

After more than a year of applying this investment strategy, I still believe that it is the proper basis for planning our RD&A programs. Cooperation with our allies remains as a central element.

Let me now focus on this element. U.S. forces today constitute only 20 to 25 percent of NATO's conventionally armed forces in Europe. Our forces are dependent upon the combat effectiveness and sustainability of the forces on their flanks. Our efforts to achieve cooperation must reflect this reality.

U.S. policy is that "equipment procured for the use of personnel of the Armed Forces of the United States stationed in Europe under the terms of the North Atlantic Treaty should be standardized or at least interoperable with equipment of other members of the North Atlantic Treaty Organization."

Obstacles

Despite this important policy structure, there remain major obstacles to allied cooperation in armaments development and production. NATO is an alliance of 15 independent nations and it is inherently difficult for any one of them to subordinate its sovereign rights for the benefit of all. Each of the nations has its own laws and regulations for the procurement of defense equipment and these laws generally are designed to protect perceived national interests. In this regard, there are two principal barriers to improved cooperation:

- The European NATO countries have built up their defense industries this past decade and some are fearful that cooperation with the United States may threaten these industries.
- Legislation in the United States, designed to protect U.S. industry from foreign competition, inhibits the formulation of cooperative programs.

New Framework

Recognizing these significant barriers, we are proceeding with a new framework for cooperation in development and procurement. The need for a new framework is evident in view of the cumulative inertia of 30 years of failure with the many tales of why it will not work. It is also evident in view of the emerging strength of the European defense industry. This industry now has the capability to develop and produce nearly every type of weapon system; it has a significant sales base outside of NATO; it provides jobs that have become important to the economies of these nations; and it has gained confidence in the implementation of multi-national

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Our primary objective in this new framework is to achieve improved combat effectiveness. We must make it possible for all within the alliance to seek out the best equipment and to insist upon interoperability and standardization in the acquisition and use of these equipments. The result will be excellence of equipment, readiness of forces and the ability to operate together.

Our secondary objective is to further the overall strength of the alliance, recognizing that strength means more than military forces alone. We are seeking to promote and maintain a technically advanced, industrially productive and economically viable defense industry on both sides of the Atlantic. We are seeking to reduce unnecessary duplication of resources and to provide a tangible basis for renewed political cohesion within the alliance. If we are successful, the result will be an industrial base capable of offering con-

ROLAND was developed by the French and Germans and is being produced in the U.S. to fill the Army's need for an all-weather short-range air defense (SHORAD) missile system to provide point defense for rear area critical targets.

The United States has offered the shoulder-fired STINGER surface-to-air missile for production by European consortia.

DEPOSITORY ITEM

tinued excellence in the weapons we seek, a capacity to equitably share in the burdens of defense and increased popular and political support for the alliance.

Triad of Initiatives

We have initiated within this framework a triad of cooperative actions along with a supporting management structure. The triad includes: General Memoranda of Understanding (MOUs) in reciprocal purchasing; Dual Production in NATO countries; and the Family of Weapons.

• **General MOUs.** The purpose of the general MOU's is to facilitate competition by NATO's defense industry in the defense market of each NATO country. These MOU's waive various "Buy National" restrictions on a reciprocal basis. Consequently, each participating nation will be able to seek out the best equipments for its money without artificial restraints. These equipments may be end items or components for locally assembled equipment.

We have already negotiated such MOU's with the United Kingdom, Canada, Germany, France, Italy, the Netherlands, Norway, and Portugal. We have invited NATO countries who have not yet done so to enter into such agreements with the United States.

• **Dual Production.** Dual production is the second leg of the cooperative triad. When one nation has completed development of a system which is useful to the alliance, that nation should make its system available for production by other countries or consortia of countries. This will eliminate unnecessary duplication in R&D and increase standardization and interoperability while avoiding the trade and labor imbalance that would result from exclusive development and sales. We have such a dual production arrangement on the French/German development of ROLAND. Similarly, the Germans will produce the MODFLIR night vision device and have formed a consortium to produce the AIM-9L air-to-air missile. We have offered the COPPERHEAD laser-guided artillery projectile, the STINGER shoulder-launched surface-to-air missile and a number of other systems for production by European consortia. We will consider reciprocal offers by NATO countries to the United States. These dual production programs can lead to the near-term introduction of the latest technology in NATO's deployed forces at the lowest practical cost.

The option of dual production will not foreclose the option of a direct buy from the developer. Direct buys within the alliance will remain a viable possibility where the investment cost of establishing dual production is not warranted or not comparatively attractive. There certainly will be instances where, even with dual production of the major equipment, components and subcomponents will be acquired by direct buy in lieu of the expenditure to create another source.

• **Family of Weapons.** The Family of Weapons is the third leg of our cooperative triad. Here the principal objectives are to obtain greater efficiency by reducing needless duplication in our development programs and to increase NATO force effectiveness through standardization. We want the $13 billion we spend for R&D and the $4 to $5 billion our allies spend to yield $17 to $18 billion worth of combined results. Our approach is to examine mission areas to find operational requirements which can only be satisfied by more than one of a "family of weapons." When the mission needs of the United States and at least one other country coincide—both in time and required capability—the United States would develop one of the required systems in the family, while another country or consortium would develop a complementary weapon system. For example, one party would develop a long-range air-to-air missile and the other a short-range version. We would anticipate such divisions to be made among the United States and Canada on the one hand and European consortia on the other. Each nation would fund the program for which it is responsible.

On all programs for which we are responsible for development and production, we will select the U.S. prime contractors, subcon-

Another U.S.-developed system offered for production in Europe is the COPPERHEAD laser-guided artillery projectile.

tractors, and European subcontractors on a competitive basis to insure the best technology and lowest cost in the resulting system. When the development is completed, the developing nation would make available to the other participants a data package for production.

The family of weapons initiative will not reduce R&D programs or limit innovation. We and our allies expect to maintain our planned levels of R&D. But by allocating tasks between ourselves and our allies, we will create the opportunity to adequately fund those projects we undertake instead of each attempting to spread our funds across the full spectrum of weapon possibilities. We will then be able to undertake the technology advances and developments needed to improve the combat effectiveness of our forces; developments which cannot be given support until our combined efforts truly sum to $17-$18 billion. We will thereby be receptive to, and have the resources to devote to, many new innovations.

We have not yet negotiated specific family of weapons agreements, but are exploring as families:

Anti-Tank Guided Missiles, Air-to-Surface Weapons, Ship-to-Ship Missiles and Air-to-Air Missiles. There are important details to be worked out before we can begin. However, I believe that the mechanics of how to implement the families concept can be worked out, provided all have the desire and determination to do so.

Requirements and Planning PAPS and NAPR. Initiatives for improved cooperation can be effective in the long term only if cooperation begins very early in the acquisition process. Ideally, cooperation should begin at the requirements definition stage, recognizing that once programs are started, sponsoring nations are reluctant to terminate them. In recognition of this, we have supported within the NATO Conference of National Armaments Directors (CNAD) the development of a Periodic Armaments Planning System (PAPS). PAPS is comprised of two basic elements. The first is a procedure which aids the identification of military needs prior to the establishment of national programs and encourages multi-lateral definition of these needs. The second element provides feedback on NATO programs which will tell us how well the requirements process is working. Information provided by nations on all major systems will be analyzed and published in an annual NATO document called the NATO Armaments Planning Review (NAPR). It will identify opportunities for cooperation as well as potential divergence in national plans. We expect approval in principle for NAPR this spring, with subsequent refinement of the procedures.

The planning process relates in a key way to definition of mission needs and thus weapon requirements. We need to establish regular procedures and mechanisms within the North Atlantic Treaty Organization for defining common military requirements. The PAPS and NAPR are part of this implementation, but other basic steps have been taken as well.

Other Agreements. The Allied Tactical Publication on NATO Land Force Tactical Doctrine has been issued to units in the field as a modernized doctrinal foundation for all succeeding NATO land forces' doctrine and procedures manuals. During 1978 the U.S. and FRG Armies agreed in principle on two more concept papers (Night Operations and Nuclear-Biological-Chemical Defense) to add to the seven previously developed. They also agreed in principle on an interoperability concept for operational cooperation in personnel, command, liaison, logistics assistance, and exercises. U.S. Army bilateral staff talks with the UK Army also are underway.

NATO also produced or rewrote three naval warfare tactical doctrine publications in 1978: mine countermeasures, amphibious embarkation, and doctrine/tactical instructions. Six new NATO Standardization Agreements related to doctrine were ratified and ten were revised. The NATO Allies are participating in development of a series of standard concepts such as maritime operations, air defense, airborne early warning and control, and maritime mining. In addition, nations reviewed Allied Tactical Publications on NATO Tactical Air Doctrine and Offensive Air Support Operations. The latter will be broadened in scope to include such operations as defense suppression. A new publication on "Counter Air Operations" is being circulated for

national comments, with ratification expected in 1980.

Long-Term Defense Program. The centerpiece of NATO activity during 1978 was the response to the President's call for a Long-Term Defense Program (LTDP). Approved by NATO Heads of State and Government at the May 1978 Summit in Washington, the LTDP marks a significant milestone for NATO through its projection of alliance defense planning into a longer term framework. It emphasizes cooperative efforts to strengthen alliance security in the face of the continuing Warsaw Pact military build-up. NATO's leaders recognized the need to finally address the imbalance between the conventional forces of the Warsaw Pact and the Alliance; the LTDP is designed to meet this challenge.

The LTPD contains 38 areas for greater equipment cooperation. We are vigorously pursuing these areas and will continue to seek additional opportunities.

Cooperative Programs in DoD. Within the DoD, we have taken a number of steps to implement and refine standardization policy and objectives. Basic DoD policy is to "actively seek standardization and interoperability of weapons systems and equipment within NATO on a priority basis in order to conserve resources and increase the combined combat capability of U.S. and NATO forces." The overall DoD weapons system acquisition process is outlined in two DoD Directives (5000.1 and 5000.2). These documents describe the process in great detail. DoD Directive 2010.6, issued in March 1977, further assigns Rationalization, Standardization and Interoperability (RSI) responsibilities to each DoD component.

The essence of these procedures is to ensure that we maintain a better liaison with our allies on armaments, consider allied solutions to our military needs and offer our allies suitable participation in our own programs. Key to implementation of our RSI directive is the use of the Defense Systems Acquisition Review Council (DSARC) and the Decision Coordinating Paper (DCP). For systems with a total or partial application to NATO, RSI is a fundamental part of the acquisition strategy.

Program Criteria/Impact

Effectiveness. The first objective of armament cooperation is improved combat force effectiveness. So the first test of a candidate program is whether that program will improve the overall effectiveness of alliance forces. I want to stress alliance forces. Improving the effectiveness of U.S. forces alone is not sufficient given our dependence on alliance forces who will be on our flanks. As noted previously, the U.S. forces today constitute only 20 to 25 percent of NATO's conventionally armed forces in Europe.

Efficiency. A related criterion is efficiency. A cooperative program should result in improved exploitation of alliance defense resources.

Efficiency should *not* be judged solely in terms of an individual weapons system or subsystem. Our judgment should be made on the basis of the improvement offered by the combination of programs in a cooperative agreement. If the program as a whole will improve efficiency and effectiveness, it should be considered favorably. We have not taken advantage of the total economic and technological resources of the NATO countries in the past. We will be looking to future cooperative programs to do so.

Competition. In our national program of armaments development and production, competition is vital to maintaining efficiency. I know of no better mechanism to control costs and stimulate peak performance. Our proposed cooperative programs are entirely consistent with maintaining a competitive environment in development and production on all U.S.-managed acquisition programs. Moreover, our proposed framework for improved cooperation can actually increase competition throughout the alliance.

Our actions to establish General MOU's will open up defense markets to competition, removing on a reciprocal basis the barriers resulting from "Buy National" restrictions. Dual production pro-

Reflected in this mirror is the crew of a British SCORPION reconnaissance vehicle during "Autumn Forge 78" in Germany.

grams provide competitive alternatives to national designs which are often constrained to national markets and associated small-scale, inefficient production. Our proposed family of weapons provides production data packages improving the potential for competition in production.

Jobs. The cooperative programs which we recommend will produce no net loss of jobs for U.S. industry. But, the key question here is loss with respect to what. If the frame of reference is the 1960s in the midst of the "Buy American" program, then there has already been a loss of jobs—not from our efforts to improve cooperation, but from the independent approach that is beginning to develop in Europe. If, instead, the frame of reference is established by the level of defense activity already underway in Europe, then the programs we recommend will not involve a loss of U.S. jobs.

Europe is no longer content to proceed with one-sided purchases from the United States. They are proceeding to successfully develop their defense industry. The inherent disadvantages of small size are being overcome by formation of consortia and various multi-national corporations. The Europeans will continue this trend toward exclusive dependence on their own defense industry if they are not offered a reasonable opportunity to participate in a cooperative program.

The programs we are pursuing will cause no loss of jobs given these facts of life. At this point, we have but two alternatives. We can participate with our allies in a broad NATO defense market, expecting our fair share. Or we can go it alone, and our allies will increasingly do the same. If we do go it alone, there will be no benefit in U.S. jobs and there will be incredible duplication of effort and waste. The net result would be reduced effectiveness of our NATO forces, higher defense costs, or both.

Technology Transfer. Prudent transfer of technology is a key criterion in future cooperative programs. Technology is a precious commodity—precious in both military and commercial applications. In transfer of technology, we must balance the benefits of sharing technology to improve NATO combat effectiveness against protecting our other interests.

We are also concerned that advanced technology may fall into the hands of our adversaries. Technology transfer is reviewed very carefully in the DoD. All requests are handled on a country-by-country, case-by-case basis under provision of the Arms Export Control Act and the Export Administration Act. We do not always approve or release complete information. We are also mindful of the need to accomplish technology transfer with full industrial cooperation and without compromising the valuable intellectual properties of our contractors.

On the other side, I am equally concerned about the impact on our industry and the alliance if we do not share technology. If we hold back U.S. technology, especially in areas where our allies have agreed to defer development of their own equipment, we will see barriers against our industry and our products. The net result could be reduced U.S. sales in Europe and reduced combat effectiveness of NATO forces.

The Independent European Program Group and the Trans-Atlantic Dialogue

The Sense of Congress statement contained within the Culver-Nunn Amendment said cooperation with Europe in defense procurement "could only work in a realistic sense if European nations operated on a united and collective basis." The Europeans have formed an organization, known as the Independent European Program Group (IEPG). Its objective is to strengthen their defense industry by forming European coalitions to develop and produce armaments, and by presenting a united front in dealing with the United States and Canada on armament development and production.

The IEPG could become a barrier to cooperation if its emphasis were put on increasing arms sales through cartelization. However, I believe it can become instead an instrument through which we and our allies can develop programs of cooperation which benefit the entire alliance. To that end, a Trans-Atlantic Dialogue has been established between the Armament Directors of the IEPG and the Armament Directors of the United States and Canada. Our contribution to the Trans-Atlantic Dialogue has been a proposal for the triad of initiatives for armament cooperation. I hope to insure that as the Europeans move toward rationalization of their arms production and procurement, it will be done in a framework of cooperation with the United States and Canada.

Clearly, we have work yet to do to convince all of the need for armaments cooperation, and to demonstrate that our framework for cooperation can overcome many of the obstacles which we face. We can achieve our objectives with leadership, commitment, and proper attention to economic incentives. In view of the challenges we face, armaments cooperation is no longer a desirable goal—it is a military necessity.

This article is based on a written statement by Dr. William J. Perry, Under Secretary of Defense for Research and Engineering to the Research and Development Subcommittee of the Committee on Armed Services of the United States Senate, 96th Congress, First Session.

COMMAND POLICY

VOL. 2 NO. 9 SEPTEMBER 1979

A publication of the Department of Defense to provide official and professional information to commanders and key personnel on matters related to Defense policies, programs and interests, and to create better understanding and teamwork within the Department of Defense.
Published monthly by the American Forces Press Service, 1117 N. 19th St., Arlington, Va. 22209, a unified activity of the American Forces Information Service, OASD (PA).

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Ethics In Government Law Amended

Congress has amended the controversial Ethics In Government Act, that became law July 1, in an effort to relieve the fears of senior federal officials and general and flag officers about getting a job after leaving government service.

One issue clarified by the amendment concerned the common misconception that an official could not take a job with a company he or she had dealt with while in government service.

Nothing in the law requires a former government employee to decline employment with any organization, regardless of the individual's dealings with that organization.

What is prohibited is to act as another person's representative before the government on matters in which the employee had been involved while in the government. In short, switching sides.

Also eased was the flat ban against any former senior employee trying to influence his former agency in his first year after leaving government. The Director of the Office of Ethics In Government can now specify the exact offices to be made "off limits," allowing the rest of the agency to be "on limits."

The definition of "senior employee" also got a much needed clarification. Executive level civilians, lieutenant generals, vice admirals and above are by law "senior employees" as of July 1, 1979.

Brigadier generals, major generals and rear admirals, who were formerly designated as "senior employees" are not so designated automatically under the amended law. They may or may not be, the determination to be made by the Director of the Office of Ethics in Government by October 1979. He will give a "fair notice" five months warning to those to be named.

The law as now amended completely exempts employees of certain organizations from its provisions, such as elected officials, employees of state and local governments, non-profit hospitals or medical research institutions. An official can represent these organizations before the government despite former government job or role.

The Ethics in Government Act is complex and splits a great many legal hairs. Thus, a full explanation is precluded here. But for those with questions, there is a Washington office to write or call:

Office of Government Ethics
Room 5315
1900 "E" Street, NW
Washington, D.C. 20415
(202) 632-7642

Before Congress made the changes in late June, then Deputy Secretary of Defense Charles W. Duncan, Jr., explained the law created a basic uncertainty concerning a "senior government employee's capability to earn a living after government service."

Mr. Duncan also noted that some officials then were either leaving or preparing to leave government before the law took effect July 1.

And he said that potential top-level government officials, now in American industry, were not even talking to government executive talent search teams.

The June 1979 amendments are now regarded by DoD officials as relieving this situation.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Subscription Price: $12.00 domestic per year; $3.00 additional for foreign mailing; $1.00 per single copy. $1.25 foreign. U.S. GOVERNMENT PRINTING OFFICE 281-488/V-13